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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, December 4

NIHON KEIZAI (Page 2) (Full)

December 5, 2006

07:45

Met at Kantei with Deputy Chief Cabinet Secretary Suzuki.

09:00

Attended an Upper House Audit Committee meeting.

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12:05

Had lunch at Kantei with second-term LDP Lower House members.

13:00

Returned to the Upper House Audit Committee meeting.

17:10

Attended an LDP executive meeting in the Diet building.

17:50

Attended a ceremony to authorize special zones for structural reform at Kantei.

18:38

Met Party Discipline Committee Chairman Sasagawa at party headquarters. Recorded message for the party website.

19:03

Met Lower House members who will be reinstated into the party, including former Posts and Telecommunications Minister Seiko Noda, with Secretary General Nakagawa and others.

19:28

Met Central Japan Railway Company Chairman Kasai and others at the Hotel Okura.

21:07

Dined at a Chinese restaurant in the Hotel Okura with LDP freshman Upper House members.

22:17

Returned to his official residence.

4) Japan, US set to hold 2-plus-2 ministerial next month

NIHON KEIZAI (Page 2) (Full)

December 5, 2006

Japan and the United States yesterday entered into intergovernmental coordination to hold a "two-plus-two" foreign and defense ministerial meeting of their security consultative committee (SCC) in mid-January next year. In response to the Defense Agency's planned upgrade to a ministry and its US counterpart's transition to a new leadership, the two-plus-two ministerial is expected to reconfirm a course of action to steadily implement a US military realignment plan featuring the relocation of the US Marine Corps' Futenma Air Station in Okinawa Prefecture. However, Okinawa is frowning on the relocation of Futenma airfield. It therefore remains a major task for Tokyo to coordinate a solution with Okinawa.

The two-plus-two meeting of defense and foreign ministers was last held in May this year. Foreign Minister Aso and Defense Agency Director General Kyuma will visit the United States to meet with

Secretary of State Rice and Secretary of Defense-designate Gates,

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who will be Secretary of Defense Rumsfeld's successor.

Defense Agency Administrative Deputy Director General Takemasa Moriya, meeting the press yesterday, indicated a positive view about holding the two-plus-two ministerial in January. "Japan and the United States have a number of security issues to address," Moriya said. The two countries are expected to exchange views about missile defense and Iraq as well.

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Earlier in the day, Japan and the United States held a meeting of senior working-level officials for defense and foreign affairs, with Deputy Under Secretary of Defense Lawless attending on the US side. The two governments there reconfirmed a course of action to proceed with a plan to build a V-shaped pair of airstrips in a coastal area of Camp Schwab in the northern Okinawa city of Nago for Futenma relocation.

5) Futenma relocation: US military aircrafts' passage over residential areas to be allowed during emergencies only; Japan, US agree on V-shaped airstrips

ASAHI (Page 1) (Full)
December 5, 2006

Japan and the United States held an intergovernmental consultative meeting of senior-working-level officials for defense and foreign affairs yesterday in Tokyo. In the meeting, the Japanese and US governments agreed on a plan to build a V-shaped pair of airstrips at a site across Cape Henoko in the northern Okinawa city of Nago as an alternative for the US Marine Corps' Futenma Air Station in the central Okinawa city of Ginowan, a focus of the realignment of US forces in Japan. The United States had asked Japan to set up approach lights at four points on the newly planned airstrips so that US military aircraft can make landings from both ends of the two runways. However, the US government accepted the Japanese government's demand for two-point settings. The Japanese government, though, has agreed to allow US military aircraft to make landings from both ends of the runways during emergencies. Accordingly, there is a possibility left for US military aircraft to pass over the city's populated areas in their landing approaches.

"We could generally maintain our standpoint," a top-level official of the Defense Agency stressed yesterday evening about setting up approach lights. Another senior official of the agency also said, "There's nothing to worry Okinawa."

Tokyo and Washington had initially aimed to agree on the airstrips plan in October. However, the Japanese and US governments clashed over the issue of setting approach lights, and the two governments gave up on an agreement. According to an agreement reached in May between the two governments, US military aircraft would use the northern airstrip for landings and the southern airstrip for takeoffs in northern winds and the other way around in southern winds. However, the United States later asked Japan to allow US military aircraft to make landings at both ends of the two new airstrips only in the case of fuel shortages or bad weather. In addition to setting up approach lights at two points for US military aircraft to make landings along the agreed flight paths, the United States asked Japan to install approach lights at a total of four points, including two additional points at the opposite ends of both airstrips.

However, Tokyo insisted on setting up the approach lights at two points only as initially planned, claiming that setting up the approach lights at four points would lead to allowing US military aircraft to fly above populated areas at any time.

This time around, the United States consented to Japan's position of installing approach lights at two points. However, Japan accepted emergency landings as requested by the United States.

In response to the agreement reached this time, the government wants to resume its consultative body's talks with Okinawa's prefectural and municipal governments within the year over the relocation of Futenma. However, Hirokazu Nakaima, the governor-elect of Okinawa Prefecture, opposes the V-shaped airstrips plan, so the government will likely face rough going in its consultations with Okinawa.

6) Japan, US consult on Futenma

TOKYO SHIMBUN (Page 2) (Full)
December 5, 2006

Japan and the United States held a consultative meeting of senior working-level officials for defense and foreign affairs yesterday in Tokyo to consult on the issue of relocating the US Marine Corps' Futenma Air Station in the central Okinawa city of Ginowan, a focus of the planned relocation of US forces in Japan.

The two countries basically agreed in the meeting to steadily implement an intergovernmental agreement to lay down a V-shaped pair of airstrips in a coastal area of Camp Schwab located in the northern Okinawa city of Nago as an alternative facility for Futenma airfield. In addition, the two countries also agreed to expedite the deployment of missile defense systems.

7) Aso, Rice confirm cooperation

TOKYO SHIMBUN (Page 2) (Full)
December 5, 2006

Foreign Minister Taro Aso talked with US Secretary of State Rice yesterday evening for about 15 minutes by telephone. In the conversation, Aso and Rice discussed coordination going on among countries concerned to resume the six-party talks over the issue of North Korea's nuclear weapons programs. They agreed on the importance of achieving results in concrete terms and on the need for Japan and the United States to cooperate closely with each other to that end.

Japan proposed the telephone talks to confirm bilateral cooperation.

8) Former Ambassador to China Anami not ready to say that Japan-China relations have improved

MAINICHI (Page 5) (Full)
December 5, 2006

Tomoko Onuki

Former Ambassador to China Koreshige Anami yesterday delivered a speech at a meeting yesterday in Tokyo of the Asia Research Council chaired by former Ambassador to the United States Takakazu Kuriyama. In the speech, Anami, referring to the future of Japan-China relations, stated: "Even soon after (Junichiro) Koizumi took office as prime minister, bilateral relations were good for some time. I earnestly hope that a similar development will not arise in the current administration." Anami thus indicated he remained skeptical about the view that the two countries are now on track toward improving relations.

On the history issue, referring to Prime Minister Koizumi's repeated visits to Yasukuni Shrine, debate on constitutional revision, and debate on going nuclear among government officials and senior members of the ruling party, Anami stated: "It is to be expected that people may be left with the impression that Japan is moving in a slightly different direction from the path of pacifism it has followed in the 60 years since the end of World War II. China and South Korea are deeply concerned about the future of Japan, and (the history issue) is not something that will go away."

Speaking of some people in Japan who view China as a threat, Anami stated: "Even in the Foreign Ministry, some officials tend to think that when China does something or other, Japan has to respond, but that is a very barren way of thinking. Japan and China should work together to contribute to the international community."

Anami served as ambassador to China from January 2001 through May of this year.

9) Japan, Australia to launch EPA talks, but rice may not be included

MAINICHI (Page 2) (Full)
December 5, 2006

Ichiro Ikawa

The Japanese and Australian governments yesterday essentially agreed to start talks to conclude an economic partnership agreement (EPA). This development came because the two countries have now shared the perception that such products as rice, beef, dairy products, wheat, and sugar that are included in a list of "important product items" for Japan to protect may be exempt from the abolition of the tariffs. The two countries are expected to reach a formal agreement on the start of talks at a summit meeting likely to occur on the edges of the upcoming East Asia summit conference slated for mid-December. But what products will be subject to the elimination of the tariffs will be determined in the formal talks between the two countries, leaving agricultural organizations and the ruling Liberal Democratic Party in frustration.

Tokyo and Canberra yesterday nearly rounded up the results of a joint study continued since November 2005. Australia has accepted Japan's request on the important product items, and the wording about those product items to be used (in the EPA), namely that the two countries will deal with them flexibly, including "exemption from the tariffs" and "postponement of negotiations on them," has been set.

10) Government to require automakers to improve fuel efficiency 20% by FY2015

NIHON KEIZAI (Top Play) (Excerpts)
December 5, 2006

The Ministry of Economy, Trade and Industry (METI) and the Ministry of Land, Infrastructure and Transport (MLIT) plans to require automakers to improve the current fuel efficiency of their vehicles by about 20% by FY2015. The government will introduce new rules possibly next spring, based on the judgment that it is necessary for the nation to toughen its fuel-efficiency rules in order to meet the targets for cuts in greenhouse gas emissions set under the Kyoto

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Protocol. Japan will introduce the world's toughest fuel-efficiency rules, urging automakers to invest more in technological development.

METI and MLIT will hold a joint council meeting this month to draft new rules. The new rules will be applied to passenger cars and some types of freight cars using gasoline and light oil, including hybrid cars. The two ministries plan to improve the fuel efficiency of such cars about 20-25% by FY2015. The current rules requires gasoline cars to get about 15 kilometers to a liter. The government intends to raise the mileage to 18 kilometers in FY2015.

The current fuel-efficiency standards were introduced in 1999. The government recommends a carmaker producing lower-mileage vehicles than the specified standard to improve their fuel economy. If the maker remains indifferent to the recommendation, its name and the types of the cars in question are publicized. In some cases, a fine is levied. The new rules will also be applied to the vehicles manufactured by foreign automakers and placed on the Japanese market.

Fuel-efficiency standards are set according to weight. In the case of a passenger vehicle, there are nine classifications under the current rules, but cars will be classified into 15 to 20 under the new rules. Manufacturers will find it easier to attain the standards if they introduce hybrid cars, so the government expects the introduction of the new rules to promote the development of energy-efficient hybrids.

The new rules will be applied to only autos to be put on sale in FY2015.

11) Interview with LDP tax panel chairman Machimura: Negative about reduction in corporate tax, highlighting difference from government tax panel

TOKYO SHIMBUN (Page 9) (Full)
December 5, 2006

Nobutaka Machimura, subcommittee chairman of the Liberal Democratic Party's Tax System Research Commission, expressed a negative view about the proposed reduction in the effective corporate tax rate yesterday. Responding to an interview with the Tokyo Shimbun and other press companies, Machimura said, "I doubt it is possible to raise the consumption tax while lowering the corporate tax."

Machimura said, "The government has decided to start the task of raising the consumption tax next year." He thus indicated that a discussion on a hike in the consumption tax would be pursued in the future.

On the consumption tax, Machimura said, "We will discuss the issue on the 8th, although a specific conclusion will be reached next fall," indicating that the party's tax panel will engage in discussion with the aim of incorporating the results of the discussion in the FY2007 tax reform outline.

The government's Tax Commission, chaired by Masaaki Homma, submitted a package of recommendations regarding FY2007 tax reform to Prime Minister Abe on Dec. 1. The package proposed reducing the corporate tax but made no reference to the consumption tax. Machimura underscored that the LDP panel's policy direction is different from

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the government's.

12) Mitsubishi Heavy Industries to reduce number of H2A rocket models to 2; Privatization necessitates 50% cut for cost reduction

NIHON KEIZAI (Page 13) (Excerpts)
December 5, 2006

Mitsubishi Heavy Industries will halve the number of models of domestically produced mainstay H2A rockets from the current four to two. The government-controlled H2A project will be transferred to Mitsubishi Heavy Industries in the next fiscal year. With this as the occasion, the company will for a start cut such costs as expenses for procuring materials by 10% by reducing the number of rocket models. It will also aim at ultimately cutting the production cost by 30% by such means as reviewing the cost sharing with the state. The aim is to compete with European and US companies, which are taking the lead in the launches of commercial satellites. The models of H2A rockets, which were first manufactured in 2001, have increased to accommodate various weights of satellites (approximately 4-6 tons). Mitsubishi Heavy Industries will focus on the largest 204-type and the smallest 202-type for orders received in the next fiscal year and beyond. The eleventh rocket is scheduled to be launched on Dec. 16. Seven rockets out of the eleven were medium-size rockets.

The launching capability of H2A rockets can be adjusted with the number of strap-on boosters, but each model has a different structure. The company's Asuka Plant is manufacturing all models. If the number of models is reduced to two, the procurement of materials and production process control can be simplified.

The cost of the launching of one rocket by European competitors,

such as Arian Space, is estimated to be 7-8 billion yen, but that of an H2A rocket is higher than that. For this reason, Mitsubishi Heavy Industries has decided to halve the number of models available. It will also expedite its efforts to cut the production cost by promoting simplified experimental procedures.

H2A rockets have thus far only launched government rockets. In order to secure profitability after the privatization, it is essential to receive orders for commercial satellites both from inside and outside the country. Approximately 20 launches of intelligence and communications rockets are expected annually as a new demand. However in order for Mitsubishi to receive orders, it has to come up with prices on a par with those of European and US companies.

13) LDP reinstates 11 lawmakers; Focus now on 9 former members defeated in Lower House election

ASAHI (Top Play) Full)
December 5, 2006

The ruling Liberal Democratic Party (LDP) in its ethics committee yesterday unanimously readmitted 11 independent lawmakers, who bolted the party in opposition to postal-privatization legislation. The 11 lawmakers, including Mitsuo Horiuchi and Seiko Noda, rejoined the LDP as of Dec. 4. The focus will now shift to coordination on electoral districts between the readmitted lawmakers and incumbent party members, as well as on the reinstatement of former LDP Lower House members who lost their seats in last year's election.

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Takeo Hiranuma's bid was not considered because he only submitted a written request seeking readmission (but did not sign a pledge as did the others). As the LDP yesterday submitted to the Lower House's administration office a notice of the 11 lawmakers' rejoin. As it stands, the LDP Lower House members total 305.

Prime Minister Shinzo Abe along with Secretary General Hidenao Nakagawa met the 11 lawmakers and welcomed them, saying: "Welcome back to the party! It's good to have you back. I want you to make efforts with me to build a beautiful country." Asked by reporters about strong opposition by the public against the 11 lawmakers' rejoining the LDP, Abe responded: "I think many people will probably oppose it, but I will accept the criticism."

Of the former 17 LDP members, who were defeated in last year's election, nine are enthusiastic about returning to national politics as independents. The party leadership intends to decide on individual cases if they ask to rejoin. A senior party member said, "Some of them might seek readmission."

The dominant view in the LDP is that priority should be placed on Seiichi Eto and others who aim to run for next summer's Upper House election. Secretary General Nakagawa, however, stated at a press conference yesterday:

"If they want to run in next Upper House election, it will be desirable to confirm public will, centering on party members, through an open system because the proportional representation segment has a clear system that satisfies supporters, including friendly organizations."

Nakagawa indicated the view that the readmission of former party members who lost their Diet seats needs at least local chapter's agreement, setting tougher requirements than that for the readmitted lawmakers.

14) Gist of Abe's statement on readmission of postal rebels in LDP

YOMIURI (Page 4) (Full)
December 5, 2006

This decision was the result of (the 11 members) having accepted a set of difficult conditions for their readmission that were presented before the general public, given the results of the Lower House election last year. I made the final decision in a responsible

manner as the LDP president.

The LDP's overwhelming victory in last year's Lower House election must be taken seriously. I think that the general public feels the same way, but I also realize that many people are opposed to their readmission to the LDP.

In LDP presidential election campaigning, I said I would consider their reinstatement and study ways to allow everyone to cooperate in creating a beautiful country. I am willing to take the criticism. I would like to obtain understanding by advancing policies by accepting former LDP members. I am determined to make efforts to gain public support on every occasion.

We must coordinate (constituencies) so that all LDP members can continue conducting activities as lawmakers after the next Lower House election. I will earnestly consider (the reinstatement of

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those who failed to win seats in last year's Lower House election) on a case-by-base basis.

15) LDP now holds 305 Lower House seats

YOMIURI (Page 4) (Full)
December 5, 2006

The Liberal Democratic Party registered yesterday admission to LDP groups by 11 independents, including former General Council Chairman Mitsuo Horiuchi, with the Lower House Secretariat. As a result, party strengths in the Lower House have become as follows:

Liberal Democratic Party	305
Democratic Party of Japan, Independent Club	113
New Komeito	31
Japanese Communist Party	9
Social Democratic Party, Citizens' Group	7
People's New Party, Mushozoku-no-kai	5
Independents	10

16) 11 postal rebels readmitted to LDP; Internal conflicts linger on; Conclusion before year's end on treatment of former LDP members eager to seek Upper House seats

NIHON KEIZAI (Page 2) (Excerpts)
December 5, 2006

The Liberal Democratic Party Ethics Committee met yesterday in which the directors unanimously approved the readmission to the party of 11 so-called "postal rebels," including former General Council Chairman Mitsuo Horiuchi. The party's official decision to accept the 11 lawmakers is certain to stimulate those in the party tolerant of readmission in the party of those postal rebels who failed to win seats in the Lower House election last year. The party leadership plans to determine before year's end how to handle former LDP lawmakers aiming to seek Upper House seats next summer. But with cautious views lingering on in the party over a negative public reaction, internal division on the issue is likely to continue.

The Ethics Committee's decision has pushed up the LDP's Lower House strength to 305 seats, close to a two-third of the total of 480 seats. The committee also decided to reduce the punishments on Upper House members who had voted against a set of postal bills. The party punished last October 18 lawmakers, including Hirofumi Nakasone, with a two-year suspension of party posts and party membership, suspended for two years. The party lifted the punishment by reducing the suspension to one year.

"Welcome back. I am very much encouraged by the readmission to the party by you all," said Prime Minister and LDP President Shinzo Abe, to the 11 members at his office last night, with tears in his eyes.

After the meeting with Abe, Shunichi Yamaguchi told reporters: "I had had a mixed feeling until I heard the prime minister say 'Welcome back.' I now feel refreshed." Masahiro Imamura emphasized the amicable mood, saying, "I am grateful for the party's decision.

I will devoted myself wholeheartedly to my job."

17) Minshuto delays fielding candidates for next Upper House election as it finds it difficult to coordinate candidates with other opposition parties

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MAINICHI (Page 5) (Excerpts)
December 5, 2006

Minshuto (Democratic Party of Japan) President Ichiro Ozawa aimed to field candidates for next summer's Upper House election this summer, but the work has been greatly delayed. So far, the largest opposition party has only selected 13 candidates, including one for Nara prefecture to be announced today, for the 29 single-seat electoral constituencies, which are regarded as the key to determine victory or defeat. Minshuto has so far 30 candidates, including several electoral districts where more than two seats are up for election. Although Ozawa has placed priority on linking up with other opposition parties in a bid to prevent the ruling coalition from winning a majority in the Upper House, coordination with the Social Democratic Party and the People's New Party has encountered difficulties. Another reason for its delay in fielding its candidates is that the party had been looking into the possibility of cooperation with the so-called "postal rebels," who have now been readmitted to the Liberal Democratic Party (LDP).

"Next year's Upper House election is a great chance for us. It might be the last chance," said Ozawa at a party for candidates held in Nagoya City on Dec. 1. He is expected to go to Nara Prefecture today as his party's candidate will be announced. He will resume his campaign tour, which he refrained after his hospitalization in September and October.

Minshuto has fielded candidates for only 15 single-seat constituencies, including unofficial candidates for Yamagata and Yamanashi. The party put off the selection of a candidate for Yamanashi in order to get cooperation from Mitsuo Horiuchi, one of the postal rebels. However, 11 postal rebels, including Horiuchi, were allowed to rejoin the LDP. The main opposition party, therefore, will field only one postal rebel, who was defeated in last year's Lower House election in Tottori.

18) Is People's New Party key to political realignment? Ichiro Ozawa, Yoshiro Mori both ask Watanuki for cooperation

MAINICHI (Page 5) (Full)
December 5, 2006

Former Prime Minister Yoshiro Mori of the Liberal Democratic Party (LDP), Minshuto (Democratic Party of Japan) President Ichiro Ozawa, People's New Party leader Tamisuke Watanuki, and other lawmakers, who were elected for the first time in 1969 to the Lower House, dined last night at a Japanese restaurant in the Roppongi district, Tokyo.

According to a participant, Watanuki criticized the LDP's readmission of postal rebels, saying, "The present Japanese political situation is unacceptable. In the future, political realignment will occur." He expressed his party's eagerness to hold the casting vote in the Upper House election next year. Ozawa, however, stressed his determination to prevent the ruling coalition from securing a majority in the Upper House, by cooperating with other opposition parties. Mori was quoted as saying, "If so, I will ask Mr. Watanuki (for help)." Both Mori and Ozawa reportedly called on Watanuki to cooperate with them. Former Prime Minister Tsutomu Hata of Minshuto and former Lower House Vice Speaker Kozo Watanabe also took part in the meeting.

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SCHIEFFER